

STATE OF CALIFORNIA



MEMO

Date: March 18, 2014

To: Fiscal Committee
Anthony A. Batarse, Jr., Chair
Victoria Rusnak, Member

From: William G. Brennan
Dawn Kindel

Subject: DISCUSSION AND CONSIDERATION OF ALTERATION OF THE BOARD'S FORMAL REQUEST TO INCREASE DEALER AND MANUFACTURER FEES

Background

At the March 13, 2013, General Meeting of the Board, the members discussed and approved adjustments to the Board's fee structure. The Board approved a dealership fee of \$400, a tiered manufacturer fee based on the number of vehicles sold, and a \$0.60 per unit fee for units sold over the tiered system.

Since modification of Board fees requires a change to its regulations, a regulatory packet was prepared and sent to the Office of Administrative Law ("OAL"), and the Department of Finance ("DOF") for review and approval.

Upon review of the packet, the DOF asked Board staff questions regarding the methodology used to determine the tiered structure, the Board's rationale behind wanting to maintain a one year operating surplus rather than the State standard of six months, how vehicle sales were forecast for the out years, and how the improving economy would affect the Board's revenues. Board staff, in cooperation with DMV Budget staff, responded to the questions posed by the DOF, but it became evident that the tiered fee structure would not be approved and would have to be removed before the packet would be allowed to move forward.

Based on the direction that staff received from the DOF, the forecasted sales numbers, revenues, and expenditures have all been recalculated.

New Analysis and projections

The attached spreadsheets depict the Board's forecasted financial status under the current

fee structure along with three additional fee scenarios that forecast the Board's financial status if the per unit fee was \$0.50, \$0.55, or \$0.60.

Vehicle sales forecasts are based on a 10 year average of new vehicle registrations gleaned from DMV's Statement of Transactions report. Board expenditures are based on a 10 year average.

Based on the calculations, and assuming that vehicle sales don't dip below the 10 year average of 1.778 million units per year, then a fee of \$0.55 per unit would be appropriate.

Notwithstanding the DOF's direction to only hold a six month surplus, Board staff feels it prudent to maintain a one year surplus of between \$1.5 - \$1.7 million dollars which is equal to approximately one year of expenditures. The reasoning behind this is based solely on the fact that it takes approximately one year to put a new fee in place. Should vehicle sales once again plummet, the Board would not have the time to put a new fee in place before exhausting its surplus.

Recommendation

As noted in the previous Board discussions regarding the fee increase, the DMV is on board and will provide support and expertise as the packet moves through the regulatory process. On March 6, 2014, staff again met with Robbie Crockett, Chief of DMV's Budget and Fiscal Analysis Office to discuss our fund condition and ways to remedy our declining reserve. We were all in agreement that raising the fees was a reasonable option.

While I am disinclined to raise fees assessed to the industry at any time, the reality is that it is a necessity at this time. Therefore, it is recommended that the Board approve a per unit fee of \$0.55, for manufacturers, with a \$400 minimum if less than 727 vehicles are sold, and a \$400 fee for dealerships.

This topic is being agendized for consideration at the April 9, 2014, General Meeting. Should you have any questions or require additional information, please do not hesitate to call me at (916) 324-6197, or Dawn at (916) 323-7201.

cc: Glenn Stevens, President

CURRENT FEE STRUCTURE																
Total CY vehicle sales	Beginning surplus	Fiscal Year	Avg. # of Ms who sell under min.	Min. Manu. Fee	Total min. fee	Vehicles sold over minimum	Fee per vehicle	Total per vehicle fee	Total Manu. Revenue	Dealerships	Fee per Dealer	Total Dealership fee	Misc. revenue	Total Revenue	Estimated Expenditures	Ending Surplus
1,778,300 (2013)	\$568,000	14-15	127	\$300	\$38,100	1,763,700	0.45	\$793,665	\$831,765	2,030	\$300	\$609,000	\$30,000	\$1,470,765	\$1,620,600	\$418,165
1,778,300 (2014)	\$418,165	15-16	127	\$300	\$38,100	1,763,700	0.45	\$793,665	\$831,765	2,030	\$300	\$609,000	\$30,000	\$1,470,765	\$1,620,600	\$268,330
1,778,300 (2015)	\$268,330	16-17	127	\$300	\$38,100	1,763,700	0.45	\$793,665	\$831,765	2,030	\$300	\$609,000	\$30,000	\$1,470,765	\$1,620,600	\$118,495
1,778,300 (2016)	\$118,495	17-18	127	\$300	\$38,100	1,763,700	0.45	\$793,665	\$831,765	2,030	\$300	\$609,000	\$30,000	\$1,470,765	\$1,620,600	-\$31,340
1,778,300 (2017)	-\$31,340	18-19	127	\$300	\$38,100	1,763,700	0.45	\$793,665	\$831,765	2,030	\$300	\$609,000	\$30,000	\$1,470,765	\$1,620,600	-\$181,175
1,778,300 (2018)	-\$181,175	19-20	127	\$300	\$38,100	1,763,700	0.45	\$793,665	\$831,765	2,030	\$300	\$609,000	\$30,000	\$1,470,765	\$1,620,600	-\$331,010
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	NMVB REVENUE PROJECTIONS \$0.50 per vehicle/ \$400 min / \$400 dealer															
Total CY vehicle sales	Beginning surplus	Fiscal Year	Avg. # of Ms who sell under min.	Min. Manu. Fee	Total min. fee	Vehicles sold over minimum	Fee per vehicle	Total per vehicle fee	Total Manu. Revenue	Dealerships	Fee per Dealer	Total Dealership fee	Misc. revenue	Total Revenue	Estimated Expenditures	Ending Surplus
1,778,300 (2013)	\$568,000	14-15	127	\$400	\$50,800	1,763,700	0.50	\$881,850	\$932,650	2,030	\$400	\$812,000	\$30,000	\$1,774,650	\$1,620,600	\$722,050
1,778,300 (2014)	\$722,050	15-16	127	\$400	\$50,800	1,763,700	0.50	\$881,850	\$932,650	2,030	\$400	\$812,000	\$30,000	\$1,774,650	\$1,620,600	\$876,100
1,778,300 (2015)	\$876,100	16-17	127	\$400	\$50,800	1,763,700	0.50	\$881,850	\$932,650	2,030	\$400	\$812,000	\$30,000	\$1,774,650	\$1,620,600	\$1,030,150
1,778,300 (2016)	\$1,030,150	17-18	127	\$400	\$50,800	1,763,700	0.50	\$881,850	\$932,650	2,030	\$400	\$812,000	\$30,000	\$1,774,650	\$1,620,600	\$1,184,200
1,778,300 (2017)	\$1,184,200	18-19	127	\$400	\$50,800	1,763,700	0.50	\$881,850	\$932,650	2,030	\$400	\$812,000	\$30,000	\$1,774,650	\$1,620,600	\$1,338,250
1,778,300 (2018)	\$1,338,250	19-20	127	\$400	\$50,800	1,763,700	0.50	\$881,850	\$932,650	2,030	\$400	\$812,000	\$30,000	\$1,774,650	\$1,620,600	\$1,492,300
	NMVB REVENUE PROJECTIONS \$0.55 per vehicle / \$400 min / \$400 per dealer															
Total CY vehicle sales	Beginning surplus	Fiscal Year	Avg. # of Ms who sell under min.	Min. Manu. Fee	Total min. fee	Vehicles sold over minimum	Fee per vehicle	Total per vehicle fee	Total Manu. Revenue	Dealerships	Fee per Dealer	Total Dealership fee	Misc. revenue	Total Revenue	Estimated Expenditures	Ending Surplus
1,778,300 (2013)	\$568,000	14-15	127	\$400	\$50,800	1,763,700	0.55	\$970,035	\$1,020,835	2,030	\$400	\$812,000	\$30,000	\$1,862,835	\$1,620,600	\$810,235
1,778,300 (2014)	\$810,235	15-16	127	\$400	\$50,800	1,763,700	0.55	\$970,035	\$1,020,835	2,030	\$400	\$812,000	\$30,000	\$1,862,835	\$1,620,600	\$1,052,470
1,778,300 (2015)	\$1,052,470	16-17	127	\$400	\$50,800	1,763,700	0.55	\$970,035	\$1,020,835	2,030	\$400	\$812,000	\$30,000	\$1,862,835	\$1,620,600	\$1,294,705
1,778,300 (2016)	\$1,294,705	17-18	127	\$400	\$50,800	1,763,700	0.55	\$970,035	\$1,020,835	2,030	\$400	\$812,000	\$30,000	\$1,862,835	\$1,620,600	\$1,536,940
1,778,300 (2017)	\$1,536,940	18-19	127	\$400	\$50,800	1,763,700	0.55	\$970,035	\$1,020,835	2,030	\$400	\$812,000	\$30,000	\$1,862,835	\$1,620,600	\$1,779,175
1,778,300 (2018)	\$1,779,175	19-20	127	\$400	\$50,800	1,763,700	0.55	\$970,035	\$1,020,835	2,030	\$400	\$812,000	\$30,000	\$1,862,835	\$1,620,600	\$2,021,410
	NMVB REVENUE PROJECTIONS \$0.60 per vehicle / \$400 min / \$400 per dealer															
Total CY vehicle sales	Beginning surplus	Fiscal Year	Avg. # of Ms who sell under min.	Min. Manu. Fee	Total min. fee	Vehicles sold over minimum	Fee per vehicle	Total per vehicle fee	Total Manu. Revenue	Dealerships	Fee per Dealer	Total Dealership fee	Misc. revenue	Total Revenue	Estimated Expenditures	Ending Surplus
1,778,300 (2013)	\$568,000	14-15	127	\$400	\$50,800	1,763,700	0.60	\$1,058,220	\$1,109,020	2,030	\$400	\$812,000	\$30,000	\$1,951,020	\$1,620,600	\$898,420
1,778,300 (2014)	\$898,420	15-16	127	\$400	\$50,800	1,763,700	0.60	\$1,058,220	\$1,109,020	2,030	\$400	\$812,000	\$30,000	\$1,951,020	\$1,620,600	\$1,228,840
1,778,300 (2015)	\$1,228,840	16-17	127	\$400	\$50,800	1,763,700	0.60	\$1,058,220	\$1,109,020	2,030	\$400	\$812,000	\$30,000	\$1,951,020	\$1,620,600	\$1,559,260
1,778,300 (2016)	\$1,559,260	17-18	127	\$400	\$50,800	1,763,700	0.60	\$1,058,220	\$1,109,020	2,030	\$400	\$812,000	\$30,000	\$1,951,020	\$1,620,600	\$1,889,680
1,778,300 (2017)	\$1,889,680	18-19	127	\$400	\$50,800	1,763,700	0.60	\$1,058,220	\$1,109,020	2,030	\$400	\$812,000	\$30,000	\$1,951,020	\$1,620,600	\$2,220,100
1,778,300 (2018)	\$2,220,100	19-20	127	\$400	\$50,800	1,763,700	0.60	\$1,058,220	\$1,109,020	2,030	\$400	\$812,000	\$30,000	\$1,951,020	\$1,620,600	\$2,550,520
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